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April 13, 2000

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, SW, Room TWB-204  
Washington, DC 20554

Re: In the Matter of GTE Corp. ("GTE") Transferor, and Bell Atlantic Corp. ("Bell Atlantic") Transferee, For Consent to Transfer Control  
Docket CC 98-184

Dear Ms. Roman Salas:

Attached is an amended version of an April 11 ex parte to correct a series of modifications caused by an errant spellcheck.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

A handwritten signature in cursive script, appearing to read "Amy L. Alvarez".

Attachment

No. of Copies rec'd 071  
List ABCDE



Joan Marsh  
Director  
AT&T Federal Government Affairs

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April 11, 2000

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, SW, Room TWB-204  
Washington, D.C. 20554

RE: Notice of Written Ex Parte  
In the Matter of GTE Corp. ("GTE") Transferor,  
and Bell Atlantic Corp. ("Bell Atlantic") Transferee,  
For Consent to Transfer Control  
CC Docket No. 98-184

Dear Ms. Roman Salas:

On Monday, April 10, 2000, GTE hosted a conference call to provide the analyst community with information on its announced initial public offering of Genuity, GTE's newly-named internet subsidiary. Attached is an April 11, 2000 Research Note from PaineWebber prepared in connection with that call. The PaineWebber note confirms the accuracy of the earlier analyst note submitted by AT&T reporting that BA/GTE will report 80% of Genuity's earnings on its consolidated income statement. *See* Prudential Securities Analyst Report dated Feb. 3, 2000, submitted as Tab A to AT&T's March 22, 2000 ex parte submission. According to the PaineWebber note:

► Verizon will retain an 80% post-IPO interest in the earnings of Genuity (versus the 100% interest GTE has today). From an accounting standpoint, Verizon will account for its 80% option in Genuity using the "equity method." More specifically, because GTE will retain an 80% economic interest in Genuity following the IPO, "GTE will continue to consolidate the financial results of Genuity and flow through 80% of its net losses."

► GTE announced its plan to spend \$11-13 billion over the next five years to expand Genuity's network infrastructure. BA/GTE has never disclosed this critically important fact to the FCC. In return for this investment, GTE/Verizon will take either a significant equity or debt interest in Genuity. As AT&T has explained in its prior filings, either interest is relevant to the question of whether Verizon will legally own or control

Magalie Roman Salas

April 11, 2000

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Genuity. This is particularly true given GTE's claim at the recent debate that the market value of Genuity is approximately \$2 billion -- a small fraction of the amount that GTE intends to invest in the entity in the near future. In short, GTE's announced investments in Genuity alone ensure that it will be Genuity's dominant owner.

These notes are inconsistent with GTE's assertion that it will have only a 10% ownership interest in Genuity and that Genuity will be a separate and independent corporate entity. The note also underscores the amount of control that GTE/Verizon will seek to exert over Genuity as Genuity's financial performance will directly and significantly impact GTE's earnings and stock performance.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commissions rules.

Sincerely,

A handwritten signature in black ink, appearing to be 'Joan Marsh', with a stylized, flowing script.

Attachment

cc: Dorothy Attwood  
Robert Atkinson  
Rebecca Beynon  
James Bird  
Michelle Carey  
Kyle Dixon  
Jordan Goldstein  
Johanna Mikes  
Paula Silberthau  
Lawrence Strickling  
Sarah Whitesell  
Christopher Wright

## GTE: Genuity IPO Details Announced

07:54am EDT 11-Apr-00 PaineWebber (Strumingher, Eric A. 212-713-2526) GTE BEL

Telecommunications Services

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John Slack, Associate Analyst (212-713-7896)

PaineWebber

RESEARCH NOTE

April 11, 2000

GTE Corp

(GTE-\$75.06)(3,7)

Rating: Attractive

### KEY POINTS

- \* Yesterday, GTE announced plans to accelerate investment and spending for its Internet subsidiary, Genuity (the new name for GTE Internetworking). It also filed a form S-1 with the SEC for an initial public offering of Genuity.
- \* GTE announced plans to spend \$11--13 billion over the next five years to expand Genuity's network infrastructure. For 2000, GTE increased Genuity capex guidance by \$1 billion to \$1.8--2 billion, with most of the spending increases coming in the 2nd half of 2000.
- \* We estimate that Genuity's increased spending will dilute Verizon's (the new name for the merged Bell Atlantic/GTE) EPS by approximately 2% in 2001 versus our original expectations. The magnitude of the adjustment, if any, that we have to make to our 2000 and 2001 EPS estimates for Verizon (currently at \$3.20 and \$3.60, respectively) is still unclear at this time.
- \* Consistent with expectations, GTE will own a 10% economic interest in Genuity in special class B shares that have an zero-cost option to convert into class C shares that will have an 80% economic interest and 96% voting control in Genuity when Bell Atlantic is approved to offer interLATA service in all of its markets.
- \* We expect the IPO to take place just prior to the close of the Bell Atlantic-GTE merger. GTE believes that this can occur by the end of May or in June.

### Key Data

### Quarterly Earnings Per Share (fiscal year ends

December)

52-Wk Range	\$78-56		1999A	2000E	Prev	2001E	Prev
Eq.Mkt.Cap.(MM)	\$72,065	1Q	\$0.74				
Sh.Out.(MM)	960.1	2Q	0.79				
Float	100%	3Q	0.97				
Inst.Hldgs.	49.4%	4Q	0.98				

Av.Dly.Vol.(K)	2,251	Year	\$3.48	\$3.85	
Curr. Div./Yield	\$1.88/2.5%	FC Cons.:	\$3.48	\$3.88	\$4.29
Sec.Grwth.Rate	8%	Revs.(MM):	\$25,336	\$25,790	NA
12-mo. Tgt Price	\$79.00	P/E:	21.6x	19.5x	NM
12-mo. Ret. Pot'l	7.7%				
Convertible?	No				

## INVESTMENT OPINION

Yesterday, GTE announced plans to accelerate investment and spending for its Internet subsidiary, Genuity (the new name for GTE Internetworking). It also filed a form S-1 with the SEC for an initial public offering of Genuity. We estimate that Genuity's increased spending will dilute Verizon's (the new name for the merged Bell Atlantic/GTE) EPS by approximately 2% in 2001 versus our original expectations. We expect Verizon to normalize its earnings for Genuity, much as AT&T currently does with its interests in Excite@Home and Cablevision, since it does not control the asset. We view this as an accounting practice of questionable value for AT&T, and we would view it similarly for Verizon. The magnitude of the adjustment, if any, that we have to make to our 2000 and 2001 EPS estimates for Verizon (currently at \$3.20 and \$3.60, respectively) is still unclear at this time. The reduction will be partially mitigated by a lower retained interest in the earnings of Genuity (80% post-IPO vs. 100% today).

We believe that the IPO of Genuity will provide GTE with low cost capital that it can use to finance the growth of Genuity and will also give Genuity a currency that it can use to attract/retain employees and to use in acquisitions. Genuity's growth has been constrained up until now by the absence of a currency and shareholder base constraints created by the expectations of GTE's shareholder base for consistency of EPS growth in the near and long-term. We believe that the negative reaction in the share prices of BEL and GTE to yesterday's announcements is a statement about the preferences of this shareholder base. This is an issue that will continue to challenge Verizon for the foreseeable future.

## DETAILS

GTE announced plans to spend \$11--13 billion over the next five years to expand Genuity's network infrastructure. For 2000, GTE increased Genuity capex guidance by \$1 billion to \$1.8--2 billion, with most of the spending increase coming in the 2nd half of 2000. As part of the increased capital plan, Genuity plans to build an additional 4,500 route miles of fiber; acquire additional expand its network capacity; add 800,000 additional modem ports to its dial-up infrastructure; and build seven additional Internet data centers. All of this will be complete by the end of 2001.

The S-1 provided details on Genuity's capital structure that were consistent with prior guidance. Subject to FCC approval, GTE will IPO class A shares representing 90% ownership in Genuity. GTE, which plans to merge with Bell Atlantic to form Verizon, would retain the remaining 10% interest in class B shares. These shares have attached to them a zero-cost option to convert into class C shares that will give Verizon an 80% economic interest and 96% voting control in Genuity. The conversion can only take place after Bell Atlantic's approval to offer interLATA service in all of its markets. We expect the IPO to take place just prior to the close of the Bell Atlantic-GTE merger. GTE believes that this can occur by the end of May or in June.

From an accounting standpoint, Verizon will account for its 80% option in Genuity using the equity method. This will reduce our pro forma Verizon revenue growth estimate of 7% by 50-100 basis points in 2000 and 2001. On a stand-alone basis, GTE will have 80% economic ownership and 96% voting control over Genuity. Therefore GTE will continue to consolidate the financial results of Genuity and flow through 80% of its net losses. We expect GTE's revenue growth to be in the high single digits level in 2000 and 2001. Genuity's increased spending should dilute GTE's stand-alone EPS by 2% in 2000 and 5% in 2001.

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